



What moved the markets

U.S. Equity markets posted a solid month as US indices continued to establish new record highs throughout the month. There was some volatility in fixed income and currency markets as the Bank of Canada (BoC) raised its overnight interest rate for the first time in 7 years which helped push both the Canadian dollar and Canadian bond yields to their highest levels in at least 2 years.

Equity markets in North America were mixed in July. The S&P/TSX moved down 0.1%, with most sectors ending the month in negative territory. Rallies in the Energy and Materials sectors of 2.7% and 1.7% respectively were offset by declines in the Health Care and Industrials sectors of 5.1% and 4.0% respectively.

In the U.S., the S&P 500 closed up 2.1%, with all sectors ending the month in positive territory. Markets were led by the Telecom Services and Info Tech sectors which gained 6.4% and 4.3%.

Fixed Income-Specific Developments

At the July Bank of Canada meeting, the central bank raised the overnight interest rate by 25 basis points to 0.75%. Accompanying the rate hike, the BoC upgraded its forecast for economic growth in 2017 to 2.8% from 2.6% and its forecast in 2018 to 2.0% from 1.9%. The central bank also noted it now expects the output gap will close 'around the end of 2017', sooner than its previous expectation of this occurring in the first half of 2018. The BoC stopped short of framing the rate hike as "only" an unwind of the twin 25bps rate cuts in 2015 and the absence of this qualifier sent interest rates and Canadian dollar higher. The market is now nearly fully pricing in a rate hike in October 2017 and a second 25 bps hike coming in April 2018. Prior to the July BoC meeting, the market was pricing in a much lower probability of each of these events. The 2-year Government of Canada bond yield touched its highest level in 5 years, soaring 21 basis points through the month. The 10 year bond yield surged to a 2.5 year high and ended the month above 2%. The Canadian dollar strengthened versus the US dollar for a third consecutive month, rallying 3.70% and closing at its highest level versus the greenback since June 2015.

The S&P/TSX moved down 0.1%, with most sectors ending the month in negative territory.

All indices and figures priced in local currency as at July 31, 2017 (unless otherwise stated). For important disclosures, see page 10.

Number crunching

Equity indices*	Month	YTD*
S&P/TSX Composite Index TR	-0.1%	0.7%
Dow Jones Industrial Average TR	2.7%	12.3%
S&P 500 Index TR	2.1%	11.6%
NASDAQ Composite Index TR	3.4%	18.6%
MSCI EAFE TR (USD)	2.9%	17.5%
MSCI World TR (USD)	2.4%	13.7%

S&P/TSX sector performance*	Month	YTD*
S&P/TSX Financials TR	0.3%	2.8%
S&P/TSX Energy TR	2.1%	-11.5%
S&P/TSX Materials TR	1.7%	1.0%
S&P/TSX Industrials TR	-4.0%	7.3%
S&P/TSX Consumer Discretionary TR	-2.7%	9.2%
S&P/TSX Telecom Services TR	1.5%	9.2%
S&P/TSX Information Technology TR	-1.2%	8.1%
S&P/TSX Consumer Staples TR	-3.1%	1.1%
S&P/TSX Utilities TR	-1.9%	8.0%
S&P/TSX Healthcare TR	-5.1%	-3.3%

* All returns are on a Total Return basis. All indices are in local currency unless otherwise noted. Source: Bloomberg

Following the rate hike by the Bank of Canada, the Big six banks increased their prime lending rate 25 basis points to 2.95%.

Economic data was supportive of the BoC's rate hike and the move higher in bond yields as the month started on a positive note - it was reported the economy added 45,300 new jobs in June. This extended the streak of job gains to seven consecutive months, while the unemployment rate declined to 6.5%. Retail sales were another bright data point, rising 0.6% in May to a record \$48.91 billion, topping economists' estimates for a 0.3% increase. Growth in Canada was also significantly better than expectations. Year-over-year, GDP grew at 4.6%, the fastest pace of growth since 2000. This was also the seventh consecutive month of GDP expansion, the longest streak of gains since 2010. Despite this run of strong data, inflation as measured by the Consumer Price Index slowed to a 20-month low of 1.0% in June. This is well below the central bank's 2.0% target, although core measures showed signs of strength. Two of three core inflation readings that the BoC tracks showed small increases from May to June, while the other was flat. Following the rate hike by the Bank of Canada, the Big six banks increased their prime lending rate 25 basis points to 2.95%.

South of the boarder, less fanfare accompanied the central bank decision as The Federal Reserve left interest rates unchanged as expected. At the FOMC meeting, the Fed didn't setup an official timeline for the commencement of the balance sheet normalization program but continued to inch closer, noting that it is coming relatively soon. U.S. 10-Year yields were unchanged for the month, while the Dollar Index declined to the lowest level in 16 months.

US economic data was mixed. On the positive side of the ledger, the nonfarm payroll report showed that the economy added 222,000 jobs in June, which was the biggest monthly addition in almost a year. While the unemployment rate increased to 4.4% from 4.3%, the unemployment rate remains near the lowest level since 2001. Wage growth continues to be somewhat tepid as average hourly earnings rose by 0.2%, lower than economists' expectation of 0.3%. The ISM Manufacturing Index came in at 57.8 in June, exceeding expectations and the highest reading since August 2014. 2nd quarter GDP was reported at 2.6%, slightly lower than economists' expectations of 2.7%, but rebounding from soft Q1. The Consumer Price Index declined to 1.6%, below economists' expectation of 1.7% and lower than the 1.9% recorded in the prior month. Communication from a number of Federal Reserve members in July did seem to concede that the decline in inflation pressures that we have seen over the last 5 months is more of a trend than a temporary blip. Weaker inflation helps support the case for the Fed to continue its approach of gradual increases in the Fed Funds rates. The probability of another 0.25% rate hike by the Fed by year end declined to ~55% from ~95% at the beginning of June.

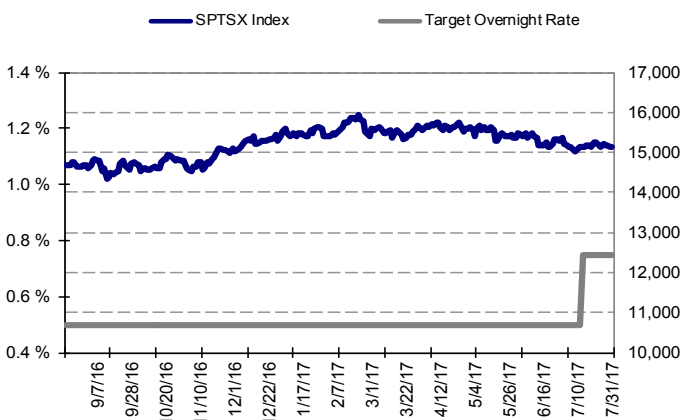
Currencies (in Canadian dollars)	Exchange	Month	YTD*
U.S. Dollar	1.2480	-3.7%	-7.1%
Euro	1.4778	-0.2%	4.6%
British Pound	1.6491	-2.3%	-0.5%
Japanese Yen	0.0113	-1.9%	-1.5%

Currencies (one Canadian dollar)	Exchange	Month	YTD*
U.S. Dollar	0.8014	3.9%	7.7%
Euro	0.6768	0.3%	-4.3%
British Pound	0.6063	2.4%	0.6%
Japanese Yen	88.3530	1.9%	1.5%

Commodities (US\$)	Spot price	Month	YTD*
Crude Oil (WTI per barrel)	\$50.17	9.0%	-6.6%
Natural Gas (per million btu)	\$2.79	-7.9%	-25.0%
Gold (per ounce)	\$1,269.44	2.2%	10.2%
Silver (per ounce)	\$16.83	1.2%	5.7%
Copper (per pound)	\$2.87	6.9%	14.7%
Nickel (per pound)	\$4.61	8.8%	2.1%
Aluminum (per pound)	\$0.86	-0.9%	11.3%
Zinc (per pound)	\$1.27	1.3%	8.5%

*All returns are on a Total Return basis All indices are in local currency unless otherwise noted.

S&P/TSX Index – target overnight rate, LTM



Source: RBC Wealth Management, Bloomberg

Global Developments

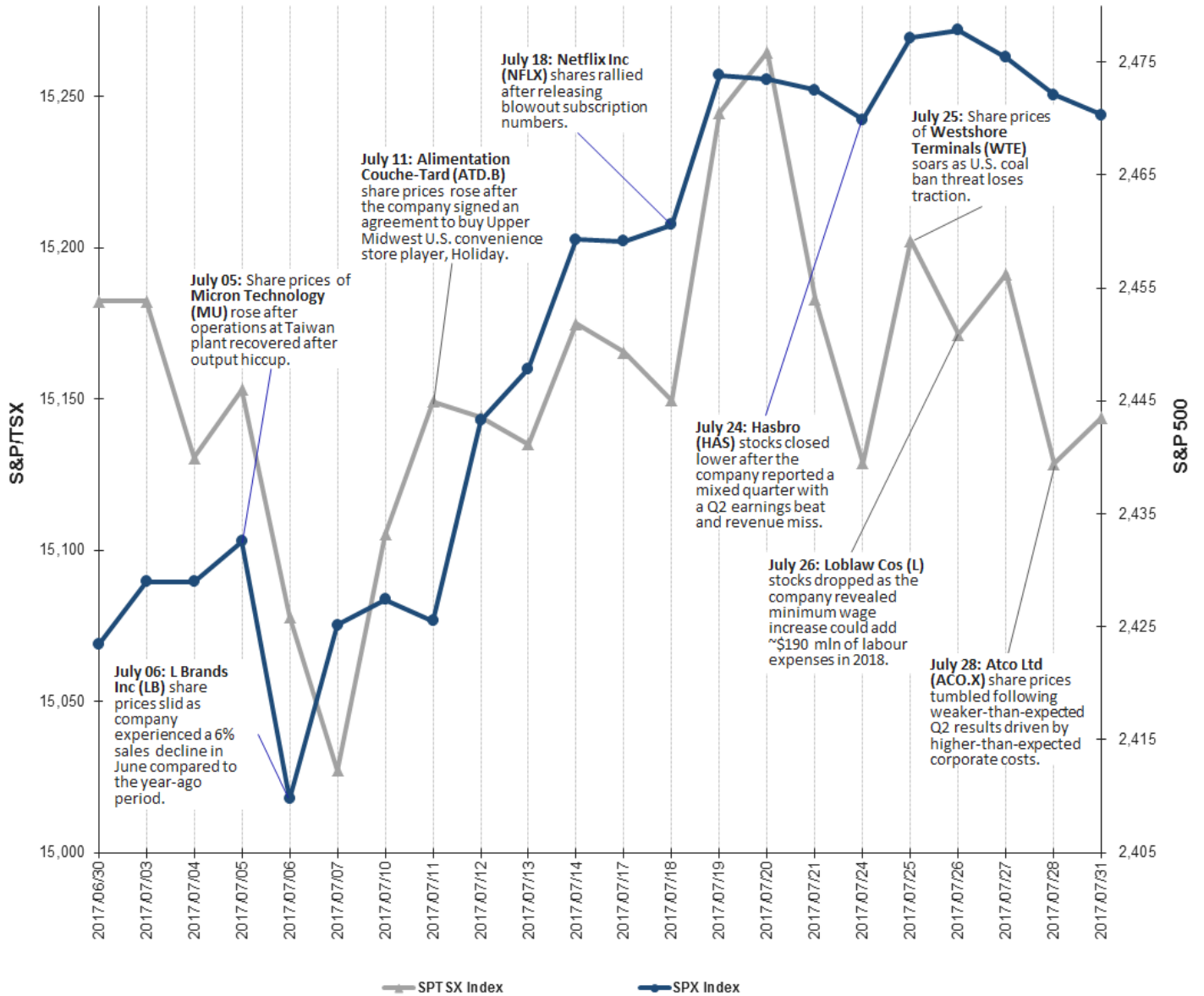
The European Central Bank kept their key interest rates unchanged and their quantitative easing program at €60 billion a month as expected. In the post-meeting press conference, President Draghi reiterated his call for patience to allow wages to respond to stronger growth. He refused to be drawn on a definite date for when the ECB would discuss its options for its QE programme beyond its expected end date in December this year. The euro rallied throughout July and ended the month at a 2.5-year high against the USD at 1.1823. Economic data out of Europe continued to be encouraging. Manufacturing activity in the region rose to the highest level since April 2011. The headline PMI rose to 57.4 from 57 in June. Another bright data point was German Industrial production which was reported at 1.2% in the month of May, the fifth consecutive monthly advance.

In China, the Consumer Price Index was reported at an annualized rate of 1.5% in June, unchanged from the previous month and below the government's 3% target. Subdued inflation could afford China's central bank more room to soften its mild tightening bias to a more neutral stance. Exports from China were stronger than expected at 11.3% year over year in June, making it the fourth consecutive month of gains and an acceleration from the 8.7% growth rate in the previous month. Imports also surged, up 17.2% year over year also coming in ahead of consensus forecasts and the 14.8% recorded in May. GDP in China expanded at 6.9% compared to a year ago, exceeding consensus estimates of 6.8%.

The Organization of the Petroleum Exporting Countries (OPEC) decided to extend its production cut deal of 1.8 million barrels per day by nine months to March 2018 to help suppress crude oil supply. The OPEC agreement, as well as concerns of a possible oil supply disruption stemming from political uncertainty in Venezuela, helped WTI Crude oil end the month up ~9% and above \$50 per barrel for the 1st time since May. Gold had its biggest monthly gain since February, ending the month up 2.3% at \$1,270 per ounce as the U.S. dollar was pressured lower through the month.

North American equity highlights

July 2017

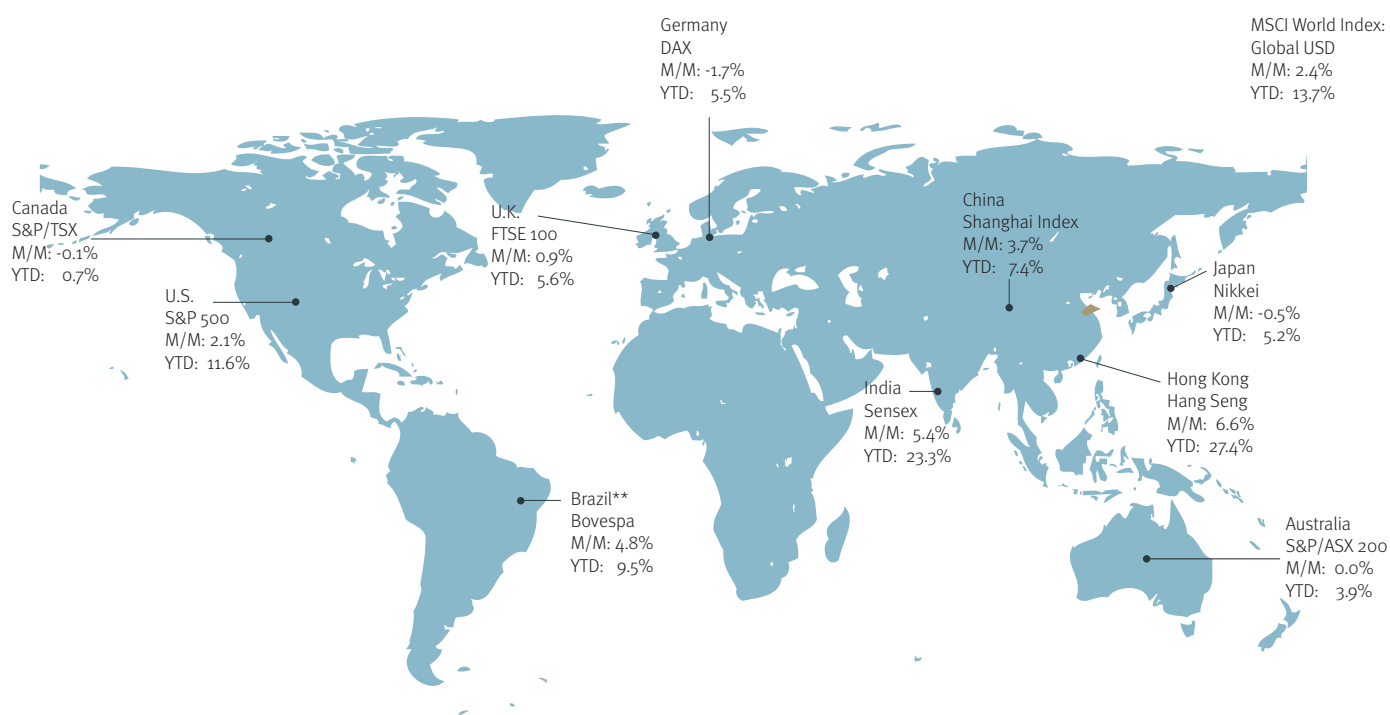


¹Bloomberg ²RBC Capital Markets Pricing Data
Source: Bloomberg

World markets

July month-over-month and year-to-date performance

For the month of July, most global indices ended in positive territory. In the Americas, the S&P 500 and Brazil's Bovespa rose by 2.1% and 4.8%, respectively while the S&P/TSX fell by 0.1%. In Europe, U.K.'s FTSE moved higher by 0.9% while Germany's DAX moved lower by 1.7%, respectively. In Asia, China's Shanghai Index, Hong Kong's Hang Seng, and India's Sensex closed the month up 3.7%, 6.6%, and 5.4%, respectively. Japan's Nikkei and Australia's S&P/ASX 200 closed lower by 0.5% and 0.01%. Overall, the MSCI World Index increased by 13.7% YTD.



All returns are on a total return basis unless otherwise noted. All returns calculated in local currency except for MSCI World

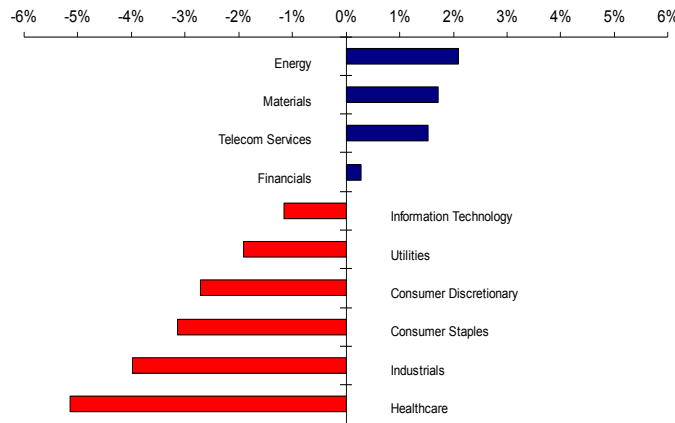
** These indices are calculated on a price return basis

Source: Bloomberg, RBC Wealth Management, 07/31/17

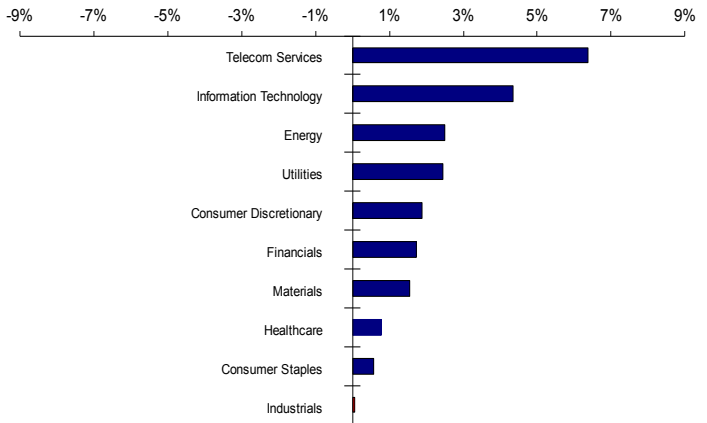
Canadian & U.S. equities

July 2017

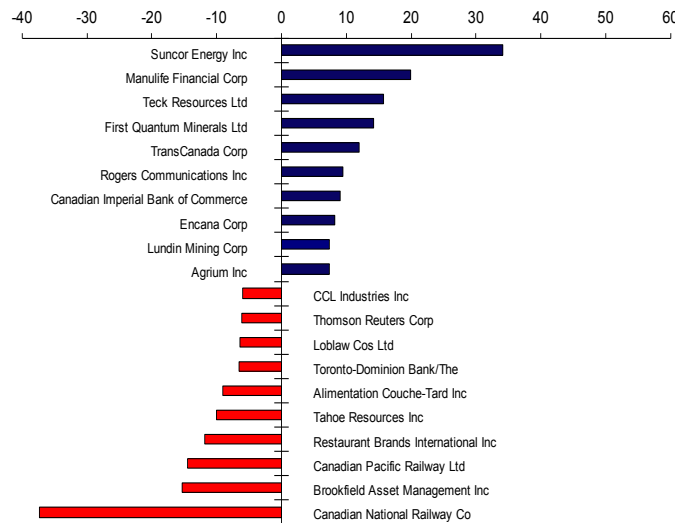
S&P/TSX composite sector movement



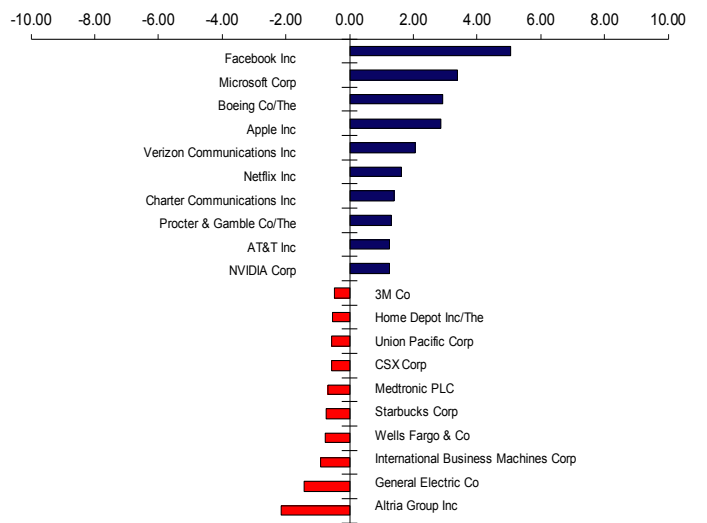
S&P 500 sector movement



Top 10 S&P/TSX contributors/decliners by index points



Top 10 S&P 500 contributors/decliners by index points



Source: Bloomberg

Canadian and U.S. economic data

July 2017

Release Date	Economic Indicators: Canada	Period	Consensus	Actual	Prior
07/28/2017	Gross Domestic Product (m-o-m, SA)	May	0.20%	0.60%	0.20%
07/28/2017	Gross Domestic Product (y-o-y, SA)	May	4.20%	4.60%	3.30%
Labour market					
07/07/2017	Net Change in Employment (ooo, SA)	Jun	10.0	45.3	54.5
07/07/2017	Participation Rate (SA)	Jun	--	65.90%	65.80%
07/07/2017	Unemployment Rate (SA)	Jun	6.60%	6.50%	6.60%
Housing market					
07/11/2017	Housing Starts (ooo, SAAR)	Jun	200	212.7	195.0
07/13/2017	New Housing Price Index (y-o-y)	May	3.50%	3.80%	3.90%
07/17/2017	Existing Home Sales (m-o-m)	Jun	--	-6.70%	-6.20%
07/12/2017	Teranet/National Bank HPI (m-o-m)	Jun	--	2.60%	2.20%
Consumer & manufacturing					
07/21/2017	Retail Sales (m-o-m, SA)	May	0.30%	0.60%	0.70%
07/21/2017	Retail Sales Less Autos (m-o-m, SA)	May	0.00%	-0.10%	1.30%
07/19/2017	Manufacturing Sales (m-o-m, SA)	May	0.80%	1.10%	0.40%
Trade					
07/06/2017	Merchandise Trade (billion, SA)	May	-0.50	-1.09	-0.55
Prices					
07/21/2017	Consumer Price Index (m-o-m)	Jun	-0.10%	-0.10%	0.10%
07/21/2017	Consumer Price Index (y-o-y)	Jun	1.10%	1.00%	1.30%
07/31/2017	Industrial Product Price (m-o-m)	Jun	-0.30%	-1.00%	0.10%
07/31/2017	Raw Materials Price Index (m-o-m)	Jun	-3.30%	-3.70%	-1.70%
Other indicators					
07/24/2017	Wholesale Sales (m-o-m, SA)	May	0.50%	0.90%	0.80%
07/07/2017	Ivey Purchasing Managers Index (SA)	Jun	58.0	61.6	53.8
07/06/2017	Building Permits (m-o-m, SA)	May	1%	9%	1%

Release date	Economic indicators: U.S.	Period	Consensus	Actual	Prior
07/28/2017	GDP (q-o-q, SAAR)	2Q A	2.70%	2.60%	1.20%
07/28/2017	GDP Price Index (q-o-q, SAAR)	2Q A	1.30%	1.00%	2.00%
07/28/2017	Core PCE (q-o-q, SAAR)	2Q A	0.70%	0.90%	1.80%
Labour market					
07/07/2017	Change in Nonfarm Payrolls (ooo, SA)	Jun	178.0	222.0	152.0
07/07/2017	Unemployment Rate (SA)	Jun	4.30%	4.40%	4.30%
Housing market					
07/19/2017	Building Permits (ooo, SAAR)	Jun	1201.00	1254.00	1168.00
07/19/2017	Housing Starts (ooo, SAAR)	Jun	1160.00	1215.00	1122.00
07/26/2017	New Home Sales (ooo, SAAR)	Jun	615.00	610.00	605.00
07/24/2017	Existing Home Sales (million, SAAR)	Jun	5.57	5.52	5.62
07/18/2017	NAHB Housing Market Index (SA)	Jul	67	64	66
07/03/2017	Construction Spending (m-o-m, SA)	May	0.30%	0.00%	-1.80%
Consumer & manufacturing					
07/14/2017	Advance Retail Sales (m-o-m, SA)	Jun	0.10%	-0.20%	-0.10%
07/14/2017	Retail Sales Less Autos (m-o-m, SA)	Jun	0.20%	-0.20%	-0.30%
07/25/2017	Consumer Confidence (SA)	Jul	116.5	121.1	117.3
07/28/2017	U. of Michigan Confidence	Jul F	93.2	93.4	93.1
07/28/2017	Personal Consumption (q-o-q, SAAR)	2Q A	2.80%	2.80%	1.90%
07/27/2017	Durable Goods Orders (m-o-m, SA)	Jun P	3.90%	6.50%	-0.10%
07/05/2017	Factory Orders (m-o-m, SA)	May	-0.50%	-0.80%	-0.30%
Trade					
07/18/2017	Import Price Index (m-o-m)	Jun	-0.20%	-0.20%	-0.10%
07/18/2017	Import Price Index (y-o-y)	Jun	1.30%	1.50%	2.30%
07/06/2017	Trade Balance (billion, SA)	May	-46.3	-46.5	-47.6
Prices					
07/14/2017	Consumer Price Index (m-o-m, SA)	Jun	0.10%	0.00%	-0.10%
07/14/2017	Consumer Price Index (y-o-y)	Jun	1.70%	1.60%	1.90%
07/14/2017	CPI Core Index (SA)	Jun	251.71	251.63	251.33
Other indicators					
07/03/2017	ISM Manufacturing Index (SA)	Jun	55.3	57.8	54.9
07/31/2017	Chicago Purchasing Manager Index	Jul	60.0	58.9	65.7
07/20/2017	Philadelphia Fed Index	Jul	23.0	19.5	27.6
07/20/2017	Leading Indicators (m-o-m)	Jun	0.40%	0.60%	0.20%
07/14/2017	Business Inventories (m-o-m, SA)	May	0.30%	0.30%	-0.20%

Source: Bloomberg

SA = Seasonally Adjusted; SAAR = Seasonally Adjusted Annual Rate; m-o-m = Month-over-month % change; q-o-q = Quarter-over-quarter % change; y-o-y = Year-over-year % change.

Notable Canadian dividend activity – July 2017

Increases				
Company	\$ Change		Ex-Date	% Change
Capital Power Corp	Prior: \$0.3900	New: \$0.4175	September 28, 2017	7.05%

Decreases				
Company	\$ Change		Ex-Date	% Change
Dream Office Real Estate Investment Trust	Prior: \$0.1250	New: \$0.0833	July 27, 2017	-33.34%

Source: Bloomberg



**Wealth Management
Dominion Securities**

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